Government of
Saskatchewan

2006
Annual Report

Extended Health
Care Plan

TABLE OF CONTENTS

Letters of Transmittal 2
Introduction 4
Participating Employers 4
Administration 4
Funding 4
Benefits 5
Management's Report 6
Financial Statements
- Auditor's Report 8
- Statement of Financial Position 9
- Statement of Operations and Net Assets 10
- Statement of Cash Flows 11
- Notes to the Financial Statements 12

Saskatchewan
Finance

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

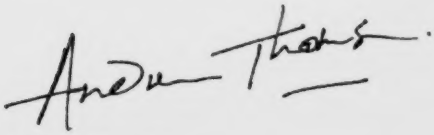
Dear Sir:

Letter of Transmittal

I have the honour to transmit herewith the eleventh Annual Report of the Extended Health Care Plan for the year ending December 31, 2006.

I have the honour to be, Sir,

Your obedient servant,



Andrew Thomson
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Andrew Thomson
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the eleventh Annual Report of the Extended Health Care Plan for the year ending December 31, 2006.

Respectfully submitted,

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Extended Health Care Plan

Introduction

The Extended Health Care Plan was established on October 1, 1996.

The Fund is used to account for the transactions of the Extended Health Care Plan which provides health care benefits to PS/GE SGEU and CUPE 600-3 employees.

As at December 31, 2006, participation in the Plan has been approved by the Lieutenant Governor in Council for all government organizations whose employees are employees of the Government of Saskatchewan as defined under *The Public Service Act* and who are members of PS/GE SGEU or CUPE 600-3.

Participating Employers

The following employees participate in The Extended Health Care Plan:

With respect to employees who are members of the Saskatchewan Government and General Employees' Union:

Board of Arbitration under *The Surface Rights Acquisition and Compensation Act* (The)
Children's Advocate (Office of the)
Farm Land Security Board
Horned Cattle Fund
Information and Privacy Commissioner (Office of the)
Milk Control Board
Ombudsman (Office of the)
Prairie Diagnostic Services Inc.
Saskatchewan Archives Board
Saskatchewan Municipal Board

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public Service Act, 1998*

With respect to employees who are members of the Canadian Union of Public Employees, Local No. 600-3:

The Government of Saskatchewan with respect to members of the Public Service of Saskatchewan as defined under *The Public* Service Act, 1998

Administration

The Public Employees Benefits Agency has established a fund pursuant to *The Financial Administration Act, 1993* for the purpose of providing benefits under the Plan. A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

The Plan pays premiums to Group Medical Services who provide insured extended health coverage. The Plan's risk is limited to the payment of premiums.

Funding

Separate funding agreements are in effect for both PS/GE SGEU and CUPE 600-3 employees.

Funding for PS/GE SGEU members covered is:

- the employer will contribute 1.03% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees
- effective October 1, 2001, the employer will contribute 1.28% of straight time annual payroll
- the employer will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:
  - effective September 30, 1996 - 0.07% of straight time annual payroll;
  - effective September 30, 1997 - 0.37% of straight time annual payroll;
  - effective October 1, 1999 - 0.47% of straight time annual payroll;
  - effective October 1, 1999 – lump sum contributions $2 million
  - effective October 1, 2001 – lump sum contributions $3.5 million
  - effective October 1, 2004 – lump sum contributions $6.9 million

Funding for CUPE 600-3 members covered is:

- the employer will contribute 1.08% of straight time annual payroll to the fund on a monthly basis for payment of premiums of eligible employees

- effective September 30, 1997, the employer will contribute 1.23% of straight time annual payroll

- effective December 28, 2003, the employee contribution rates are $11.54 per pay period for members paid bi-weekly and $25.00 per pay period for members paid monthly

- the employees covered by the PSC/CUPE 600-3 Collective Agreement will contribute to the Benefit Plan Surplus fund on a monthly basis as follows:

  - effective September 30, 1996 - 0.07% of straight time annual payroll; plus
  - the amount required to make up the difference between the employer's contributions and the cost of monthly premiums for eligible employees, up to 0.15% of straight time annual payroll
  - effective September 30, 1997, the employer will contribute to the Benefit Plan Surplus fund a further .30% of straight time payroll. In addition, the employer pays the original .07% of straight time payroll previously paid by the employees
  - effective December 20, 1999, the employer will fund at an annual rate of 0.82% of straight time annual payroll.
  - effective January 1, 2005 – lump sum contributions of $748,070

Benefits

An employee is eligible for benefits at the start of the pay period immediately following a 6 month period of employment.

Claims are paid on behalf of all family members and covers certain health and vision care benefits.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

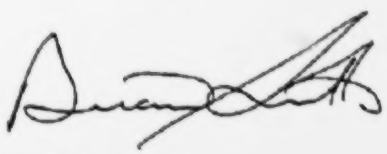
As members of management of the Extended Health Care Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Extended Health Care Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

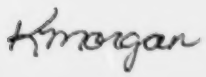
A Joint Board of Trustees, comprised of an equal number of management and union representatives, has been established and is responsible for reviewing the ongoing operations of the Plan.

We enclose the financial statements of the Extended Health Care Plan for the year ended December 31, 2006 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency



Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 15, 2007

EXTENDED HEALTH CARE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2006

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan as at December 31, 2006 and the statements of operations and net assets, and cash flows for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 15, 2007

Fred Wendel, CMA, CA
Provincial Auditor

EXTENDED HEALTH CARE PLAN
STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	2006				2005
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
ASSETS					
Due from General Revenue Fund (Note 3)	$ -	$ 871,824	$ 57,437	$ 929,261	$8,313,456
Short-Term Investments (Note 4)	-	5,764,454	467,388	6,231,842	-
Employer contributions receivable	449,501	157,288	14,096	620,885	594,900
Accrued interest income	-	44,971	3,646	48,617	-
Prepaid insurance premiums	-	-	-	-	852,522
	449,501	6,838,537	542,567	$7,830,605	$9,760,878
LIABILITIES					
Liabilities:					
Due to General Revenue Fund (Note 3)	4,595	-	-	$ 4,595	$ -
Accounts payable (Note 7)	11,060	-	-	11,060	19,250
Advance from General Revenue Fund (Note 5)	275,000	-	-	275,000	275,000
	290,655	-	-	290,655	$ 294,250
Net assets (Statement 2)	$ 158,846	$6,838,537	$542,567	$7,539,950	$9,466,628

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
STATEMENT OF OPERATIONS AND NET ASSETS

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

	2006					2005
	Budget	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
REVENUES	(Note 8)					
Employer contributions (Note 1)	$ 7,719,601	$5,868,242	$2,056,495	$172,930	$8,097,667	$ 7,588,601
Other contributions (Note 1)	-	-	100,000	43,608	143,608	1,012,170
Employee contributions (Note 1)	-	688	-	-	688	981
Interest Income (Note 3 & 4)	203,000	-	303,588	24,084	327,672	112,174
	7,922,601	5,868,930	2,460,083	240,622	8,569,635	8,713,926
EXPENSES						
Insurance premiums	10,500,000	10,287,091	-	-	10,287,091	9,993,697
Interest (Note 3)	15,000	14,621	-	-	14,621	13,344
Administration (Note 7)	116,350	107,740	-	-	107,740	106,723
	10,631,350	10,409,452	-	-	10,409,452	10,113,764
(Deficit) surplus for the year before the following:	(2,708,749)	(4,540,522)	2,460,083	240,622	(1,839,817)	(1,399,838)
Interfund transfers (Note 1)	-	3,710,600	(3,457,500)	(253,100)	-	-
Transfer to PEDF (Note 1)	-	-	-	(86,861)	(86,861)	(20,071)
Deficit for the year	(2,708,749)	(829,922)	(997,417)	(99,339)	(1,926,678)	(1,419,909)
NET ASSETS, BEGINNING OF YEAR	9,466,628	988,768	7,835,954	641,906	9,466,628	10,886,537
NET ASSETS, END OF YEAR (Statement 1)	$6,757,879	$ 158,846	$6,838,537	$542,567	$7,539,950	$ 9,466,628

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
STATEMENT OF CASH FLOWS

STATEMENT 3

FOR THE YEAR ENDED DECEMBER 31

	2006				2005
	Extended Health Care Fund	PS/GE SGEU Benefit Plans' Surplus Fund	CUPE Benefit Plans' Surplus Fund	Total	Total
Cash flows from (used in) operating activities:					
Employer contributions received	$5,849,162	$2,049,362	$ 173,158	$ 8,071,682	$ 7,514,991
Employee contributions received	688	-	-	688	2,604
Other contributions received	-	100,000	43,608	143,608	7,912,070
Interest (paid) received	(14,621)	258,617	20,438	264,434	98,830
Insurance premiums paid	(9,428,115)	-	-	(9,428,115)	(10,853,812)
Administration expense paid	(122,384)	-	-	(122,384)	(99,317)
Cash flows from (used in) operating activities	(3,715,270)	2,407,979	237,204	(1,070,087)	4,575,366
Cash flows from (used in) investing activities:					
Purchase of investments	-	(27,413,246)	(2,222,696)	(29,635,942)	-
Proceeds from disposal of investments	-	21,648,792	1,755,308	23,404,100	-
Cash flows from (used in) investing activities	-	(5,764,454)	(467,388)	(6,231,842)	-
Net (decrease) increase due to/from General Revenue Fund	(3,715,270)	(3,356,475)	(230,184)	(7,301,929)	4,575,366
Interfund transfers (Note 1)	3,710,600	(3,457,500)	(253,100)	-	-
Transfer to PEDF (Note 1)	-	-	(86,861)	(86,861)	(20,071)
	(4,670)	(6,813,975)	(570,145)	(7,388,790)	4,555,295
Due from General Revenue Fund, Beginning of year	75	7,685,799	627,582	8,313,456	3,758,161
Due (to)/from General Revenue Fund, end of year	$ (4,595)	$ 871,824	$ 57,437	$ 924,666	$ 8,313,456

(See accompanying notes to the financial statements)

EXTENDED HEALTH CARE PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain unionized employees of the Government of Saskatchewan.

The Plan consists of the Extended Health Care Fund, the Saskatchewan Government and General Employees' Union (PS/GE SGEU) Benefit Plans' Surplus Fund and the Canadian Union of Public Employees', Local 600-3 (CUPE) Benefit Plans' Surplus Fund.

The Public Employees Benefits Agency (PEBA) manages the Plan under direction from the Joint Board of Trustees. The Joint Board of Trustees is made up of equal representation of union members and employers' representatives.

Extended Health Care Fund

The Extended Health Care Fund receives contributions from employers, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rate is 1.28% of regular payroll for PS/GE SGEU and 1.23% of regular payroll for CUPE members. The contribution rates are established pursuant to PS/GE SGEU and CUPE collective bargaining agreements with the Government.

The Government through the Minister of Finance entered into an agreement with Group Medical Services (GMS) to provide eligible employees with extended health coverage that expired on December 31, 2005. A new 2 year agreement effective January 1, 2006 was signed with GMS. The Plan pays premiums for eligible employees to GMS as set out in the agreement. The Plan's risk is limited to the payment of these premiums.

Benefit Plans' Surplus Funds

The PS/GE SGEU Benefit Plans' Surplus Fund and the CUPE Benefit Plans' Surplus Fund (Surplus Funds) were established to meet the terms of the PS/GE SGEU and CUPE collective bargaining agreements with the Government. The Surplus Funds receive contributions from employers whose participation in the Plan has been approved by the Lieutenant Governor in Council. The contribution rates are as follows:

- 0.47% of regular payroll of PS/GE SGEU members
- 0.82% of regular payroll of CUPE members

On November 30, 2004, the Government and PS/GE SGEU signed a new collective bargaining agreement. The agreement provided for an additional $6,000,000 in employer funding to the PS/GE SGEU Benefit Plans' Surplus Fund in 2005. In conjunction with this, SGEU filed a grievance claiming interest on the amount to be paid to the PS/GE SGEU Benefit Plans' Surplus Fund. This grievance was settled by an additional payment of $100,000 to the PS/GE SGEU Benefit Plans' Surplus Fund in 2006.

Effective April 1, 2005, Saskatchewan Property Management (SPM) employees (formerly Saskatchewan Property Management Corporation) were included under the Extended Health Care Plan. During the year, SPM paid $43,608 from the SPMC Health Care Plan for CUPE employees to the CUPE Benefits Plans' Surplus Fund.

The purpose of the Surplus Funds is to offset cost increases arising from extended health care benefits and future dental plan enhancements. Enhanced dental benefits are provided to PS/GE SGEU and CUPE members through the Public Employees Dental Fund (PEDF). The Joint Board of Trustees must approve the use of the net assets of the Surplus Funds.

During the year, the Joint Board of Trustees authorized PEBA to transfer adequate resources from the Surplus Funds to the Extended Health Care Fund in order to provide extended health care benefits over the term of the contract with GMS. Accordingly, PEBA transferred to the Extended Health Care Fund $3,457,500 (2005 - $5,195,000) and $253,100 (2005 - $314,735) from the PS/GE SGEU Benefit Plans' Surplus Fund and CUPE Benefit Plans' Surplus Fund respectively.

The Joint Board of Trustees also authorized PEBA to transfer adequate resources from the CUPE Benefit Plans' Surplus Fund to the PEDF in order to provide enhanced dental benefits to participating CUPE members to December 31, 2006. Accordingly, PEBA transferred $86,861 (2005 - $20,071) from the CUPE Benefit Plans' Surplus Fund to the PEDF.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. Due to/from General Revenue Fund

The monies of the Extended Health Care Fund and Benefit Plans' Surplus Funds are co-mingled in one bank account. The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's bank account balance is recorded as due to/from General Revenue Fund to the Benefit Plans' Surplus Funds and to the Extended Health Care Fund separately on the Statement of Financial Position.

The General Revenue Fund calculates interest earned and owing on a quarterly basis using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance. The Government's average thirty day borrowing rate in 2006 was 3.95% (2005 – 2.57%).

4. Short-Term Investments

Short-term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.2% to 4.3% and an average remaining term to maturity of 41 days. Investments are purchased through the Treasury and Debt Management Branch of the Department of Finance and are subject to the Department's investment guidelines. The guidelines require that investments must meet a minimum investment standard of "R-1" rating, as rated by a recognized credit rating service.

5. Advance from General Revenue Fund

The General Revenue Fund advanced the Plan monies when the Plan began operations. The advance is required because the Plan must pay premiums at the beginning of each month and employer contributions are not received until after the end of each month.
The advance is interest-free with no fixed maturity date.

6. Financial Instruments

The Plan's financial instruments include due from General Revenue Fund, contributions receivable, short-term investments, due to General Revenue Fund, accrued interest income, accounts payable and advance from General Revenue Fund. Due to the immediate or short-term nature of these items, the fair value of these instruments approximates carrying value.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

All employer contributions, other contributions, and employer contributions receivable are from related parties. Also, in 2006, PEBA charged the Plan $107,740 (2005 - $106,723) for administration expenses. Included in accounts payable is $4,587 (2005 – $19,231) due to PEBA.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Budget

PEBA prepares the budget for approval by the Joint Board of Trustees.